

**CITY OF TRENTON, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2015**

**CITY OF TRENTON, FLORIDA**

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended September 30, 2015

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## **INTRODUCTORY SECTION**

**CITY OF TRENTON, FLORIDA**  
**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2015**

**MAYOR**

**Glenn Thigpen**

**CITY COMMISSION**

**Marcia Hellams**

**Randy Rutter**

**Craig Ruede**

**Cloud Haley**

**CITY CLERK/MANAGER**

**Taylor Brown**

**CITY ATTORNEY**

**David M. Lang, Jr.**

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and the City Commission  
City of Trenton, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of the City of Trenton, Florida as of and for the fiscal year ended September 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness or significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of the City of Trenton, Florida, as of September 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

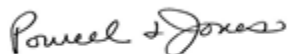
### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, on our consideration of the City of Trenton, Florida's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Trenton, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**

Certified Public Accountants

May 11, 2016



## **CITY OF TRENTON, FLORIDA**

### **Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the City of Trenton's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

#### **Report Layout**

The City has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized as applicable, and reported as either governmental or business-type activities. Governmental activities include basic services such as police and fire control, public works, parks and recreation, community development and general governmental administration. The City's water, sewer, and solid waste management services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

#### ***Basic Financial Statements***

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has two major governmental funds which are presented in separate columns. Statements for the City's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in financial position and differences in operation between the current and prior years.

## City as a Whole

### Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2015 and 2014, follows:

#### Net Position at September 30, 2015 and 2014

	Governmental Activities	Business-type Activities	Total Government	
			2015	2014
<b>Assets</b>				
Cash and cash equivalents	\$ 872,460	\$ 546,718	\$1,419,178	\$1,264,135
Other assets	48,010	110,628	158,638	159,155
Capital assets	1,691,272	1,455,894	3,147,166	3,398,874
Total assets	<u>2,611,742</u>	<u>2,113,240</u>	<u>4,724,982</u>	<u>4,822,164</u>
Deferred outflows	<u>96,048</u>	<u>51,718</u>	<u>147,766</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities	84,480	140,315	224,795	224,324
Long-term liabilities	441,152	546,766	987,918	614,775
Total liabilities	<u>525,632</u>	<u>687,081</u>	<u>1,212,713</u>	<u>839,099</u>
Deferred inflows	<u>94,311</u>	<u>50,783</u>	<u>145,094</u>	<u>-</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,507,665	1,044,959	2,552,624	2,709,610
Restricted	386,910	-	386,910	294,124
Unrestricted	193,272	382,135	575,407	979,331
Total net position	<u>\$2,087,847</u>	<u>\$1,427,094</u>	<u>\$3,514,941</u>	<u>\$3,983,065</u>

73% of the City's net position reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets of \$386,910 consist primarily of earmarked funds in the community redevelopment program. The balance of unrestricted net position is \$575,407.

The City's net position increased by \$29,051 or 1% over the year.

The following schedule provides a summary of the changes in net position. The increase in Business-type Activities net position is due primarily to revenues exceeding expenses. The increase during the year through Governmental Activities net position is primarily due to revenues exceeding expenses.

A condensed version of the Statement of Activities follows:

**Change in Net Position**  
For the Fiscal Year Ended September 30, 2015 and 2014

	Governmental Activities	Business-type Activities	Total Government	
			2015	2014
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 208,474	\$ 1,193,799	\$ 1,402,273	\$ 1,342,400
Grants and contributions	16,234	-	16,234	15,464
General revenues				
Taxes	607,459	-	607,459	579,240
Franchise fees	118,362	-	118,362	111,601
Licenses and permits	9,939	-	9,939	8,862
State shared revenues	112,536	-	112,536	102,906
Interest and other	26,263	-	26,263	48,089
Total revenues	<u>1,099,267</u>	<u>1,193,799</u>	<u>2,293,066</u>	<u>2,208,562</u>
<b>Expenses</b>				
General government	378,185	-	378,185	387,036
Public safety	312,173	-	312,173	209,275
Transportation	283,977	-	283,977	278,334
Economic environment	7,562	-	7,562	17,249
Human services	2,313	-	2,313	641
Culture/recreation	48,345	-	48,345	33,994
Interest on long-term debt	6,418	7,800	14,218	14,576
Water, sewer, and garbage services	-	1,217,242	1,217,242	934,756
Total expenses	<u>1,038,973</u>	<u>1,225,042</u>	<u>2,264,015</u>	<u>1,875,861</u>
Change in net position	60,294	(31,243)	29,051	332,701
Beginning net position	2,350,717	1,632,348	3,983,065	3,658,499
Prior period adjustment	(323,164)	(174,011)	(497,175)	(8,135)
Ending net position	<u>\$ 2,087,847</u>	<u>\$ 1,427,094</u>	<u>\$ 3,514,941</u>	<u>\$ 3,983,065</u>

Governmental activities:

Taxes provided 55% of the revenues for Governmental Activities, while grants and contributions provided 1.5%. Most of the Governmental Activities resources were spent for General Government (36%), Transportation (27%), and Public Safety (30%).

### Business-type activities:

Business-type activities decreased the City's net position by \$31,243. Key elements of this decrease are as follows:

There was a decrease in resources used to provide services.

### Budgetary Highlights

At the end of the year there was one individual department with a budget shortfall primarily due to increased operating costs that was not adequately estimated in the adopted budget. However, in total, the General Fund's expenditures were \$37,230 less than was budgeted. Its revenues were more than the budgeted amounts by \$24,222.

### Capital Assets and Debt Administration

#### Capital Assets

At September 30, 2015, the City had \$3.1 million invested in capital assets, including police and fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$251,708 or 8% less than last year.

#### Capital Assets at September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 9,574	\$ 9,574	\$ 123,840	\$ 123,840	\$ 133,414	\$ 133,414
Buildings and improvements	882,828	896,136	3,697,966	3,697,966	4,580,794	4,594,102
Infrastructure	1,573,462	1,573,462	-	-	1,573,462	1,573,462
Equipment	935,561	808,410	494,687	413,844	1,430,248	1,222,254
Subtotal	3,401,425	3,287,582	4,316,493	4,235,650	7,717,918	7,523,232
Accumulated depreciation	(1,710,153)	(1,478,874)	(2,860,599)	(2,645,484)	(4,570,752)	(4,124,358)
Capital assets, net	<u>\$ 1,691,272</u>	<u>\$ 1,808,708</u>	<u>\$ 1,455,894</u>	<u>\$ 1,590,166</u>	<u>\$ 3,147,166</u>	<u>\$ 3,398,874</u>

#### Debt Outstanding

At year-end, the City had \$594,542 in debt outstanding versus \$689,264 the prior year, a decrease of \$94,722.

#### Debt Outstanding at September 30, 2015 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
State revolving fund loan	\$ -	\$ -	\$ 410,935	\$ 448,247	\$ 410,935	\$ 448,247
Notes payable	183,607	241,017	-	-	183,607	241,017
Total	<u>\$ 183,607</u>	<u>\$ 241,017</u>	<u>\$ 410,935</u>	<u>\$ 448,247</u>	<u>\$ 594,542</u>	<u>\$ 689,264</u>

More detailed information on the City long-term liabilities is presented in the notes to the financial statements.

## **OTHER FINANCIAL INFORMATION**

### **Economic Factors and Rates**

- The current unemployment rate for the County is 5.6%, which is approximately the same as the City. This is lower than the prior year.
- The estimated population for the City in 2015 was 1,900 and is estimated to be approximately the same in 2016.
- The City levied ad valorem taxes during 2015 at 3.1 mills.

### **Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager at 114 N. Main Street, Trenton, Florida 32693.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TRENTON, FLORIDA**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 872,460	\$ 546,718	\$ 1,419,178
Accounts receivable - net	22,323	103,266	125,589
Due from other governmental units	17,997	-	17,997
Prepaid insurance	7,690	7,362	15,052
Total current assets	<u>920,470</u>	<u>657,346</u>	<u>1,577,816</u>
Capital assets - net	1,691,272	1,455,894	3,147,166
Total assets	<u>2,611,742</u>	<u>2,113,240</u>	<u>4,724,982</u>
 DEFERRED OUTFLOWS	 <u>96,048</u>	 <u>51,718</u>	 <u>147,766</u>
 <b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	11,547	9,316	20,863
Accrued liabilities	11,277	5,416	16,693
Accrued interest payable	-	2,286	2,286
Deposits	-	89,566	89,566
Current portion loans payable	59,422	32,875	92,297
Accrued compensated absences	2,234	856	3,090
Total current liabilities	<u>84,480</u>	<u>140,315</u>	<u>224,795</u>
Noncurrent liabilities			
Other liabilities			
Noncurrent portion loans payable	124,185	378,060	502,245
Accrued compensated absences	12,662	4,850	17,512
Net pension liability	304,305	163,856	468,161
Total noncurrent liabilities	<u>441,152</u>	<u>546,766</u>	<u>987,918</u>
Total liabilities	<u>525,632</u>	<u>687,081</u>	<u>1,212,713</u>
 DEFERRED INFLOWS	 <u>94,311</u>	 <u>50,783</u>	 <u>145,094</u>
 <b>NET POSITION</b>			
Invested in capital assets net of related debt	1,507,665	1,044,959	2,552,624
Restricted	386,910	-	386,910
Unrestricted	193,272	382,135	575,407
Total net position	<u>\$ 2,087,847</u>	<u>\$ 1,427,094</u>	<u>\$ 3,514,941</u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
<b>Governmental activities</b>							
General government	\$ 378,185	\$ 175,000	\$ -	\$ -	\$ (203,185)	\$ -	\$ (203,185)
Public safety	312,173	31,974	16,234	-	(263,965)	-	(263,965)
Physical environment	-	-	-	-	-	-	-
Transportation	283,977	1,500	-	-	(282,477)	-	(282,477)
Economic environment	7,562	-	-	-	(7,562)	-	(7,562)
Human services	2,313	-	-	-	(2,313)	-	(2,313)
Culture/recreation	48,345	-	-	-	(48,345)	-	(48,345)
Interest on long-term debt	6,418	-	-	-	(6,418)	-	(6,418)
<b>Total governmental activities</b>	<b>1,038,973</b>	<b>208,474</b>	<b>16,234</b>	<b>-</b>	<b>(814,265)</b>	<b>-</b>	<b>(814,265)</b>
<b>Business-type activities</b>							
Water services	1,217,242	395,942	-	-	-	(821,300)	(821,300)
Garbage and solid waste services	-	402,841	-	-	-	402,841	402,841
Sewer services	-	363,669	-	-	-	363,669	363,669
Interest on long-term activities	7,800	-	-	-	-	(7,800)	(7,800)
<b>Total business-type activities</b>	<b>1,225,042</b>	<b>1,162,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,590)</b>	<b>(62,590)</b>
<b>Total government</b>	<b>2,264,015</b>	<b>1,370,926</b>	<b>16,234</b>	<b>-</b>	<b>(814,265)</b>	<b>(62,590)</b>	<b>(876,855)</b>
<b>General revenues</b>							
Ad valorem taxes					234,997	-	234,997
Sale and use taxes					144,957	-	144,957
Franchise fees					118,362	-	118,362
Utility services taxes					175,777	-	175,777
Communications							
service taxes					51,728	-	51,728
Licenses and permits					9,939	-	9,939
State shared revenues					112,536	-	112,536
Interest					616	-	616
Miscellaneous					25,647	31,347	56,994
<b>Total general revenues</b>					<b>874,559</b>	<b>31,347</b>	<b>905,906</b>
Transfers in					-	-	-
Transfers out					-	-	-
Change in net position					60,294	(31,243)	29,051
Net position beginning					2,350,717	1,632,348	3,983,065
Prior period adjustment					-	-	-
Prior period adjustment					(323,164)	(174,011)	(497,175)
<b>Net position ending</b>					<b>\$ 2,087,847</b>	<b>\$ 1,427,094</b>	<b>\$ 3,514,941</b>

See notes to financial statements.



**CITY OF TRENTON, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2015**

	General Fund	Community Redevelopment Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 485,550	\$ 386,786	\$ 124	\$ 872,460
Accounts receivable	22,323	-	-	22,323
Due from other funds	-	-	-	-
Due from other governmental units	17,997	-	-	17,997
Investments	-	-	-	-
Prepaid insurance	7,690	-	-	7,690
<b>Total assets</b>	<u>533,560</u>	<u>386,786</u>	<u>124</u>	<u>920,470</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	11,547	-	-	11,547
Due to other funds	-	-	-	-
Accrued liabilities	11,277	-	-	11,277
<b>Total liabilities</b>	<u>22,824</u>	<u>-</u>	<u>-</u>	<u>22,824</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid items	7,690	-	-	7,690
Restricted	-	386,786	124	386,910
Unassigned	503,046	-	-	503,046
<b>Total fund balances</b>	<u>510,736</u>	<u>386,786</u>	<u>124</u>	<u>897,646</u>
<b>Total liabilities and fund balances</b>	<u>\$ 533,560</u>	<u>\$ 386,786</u>	<u>\$ 124</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,691,272
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	96,048
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds	(94,311)
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds	(502,808)
<b>Net position of governmental activities</b>	<u><u>\$ 2,087,847</u></u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For The Fiscal Year Ended September 30, 2015**

	General Fund	Community Redevelopment Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 651,039	\$ 74,782	\$ -	\$ 725,821
Licenses and permits	9,939	-	-	9,939
Intergovernmental	128,770	-	-	128,770
Charges for services	208,474	-	-	208,474
Miscellaneous	26,000	263	-	26,263
<b>Total revenues</b>	<b>1,024,222</b>	<b>75,045</b>	<b>-</b>	<b>1,099,267</b>
<b>EXPENDITURES</b>				
Current expenditures				
General government	394,180	-	-	394,180
Public safety	252,232	-	-	252,232
Transportation	161,437	-	-	161,437
Economic environment	-	7,562	-	7,562
Culture/recreation	6,715	-	-	6,715
Capital outlay				
Public safety	124,389	-	-	124,389
Debt service				
Principal	59,422	-	-	59,422
Interest	6,418	-	-	6,418
<b>Total expenditures</b>	<b>1,004,793</b>	<b>7,562</b>	<b>-</b>	<b>1,012,355</b>
<b>Excess of revenues over (under) expenditures</b>	<b>19,429</b>	<b>67,483</b>	<b>-</b>	<b>86,912</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	32,043	-	32,043
Interfund transfers out	(32,043)	-	-	(32,043)
<b>Total other financing sources (uses)</b>	<b>(32,043)</b>	<b>32,043</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(12,614)</b>	<b>99,526</b>	<b>-</b>	<b>86,912</b>
<b>Fund balances at beginning of year</b>	<b>523,350</b>	<b>287,260</b>	<b>124</b>	<b>810,734</b>
<b>Fund balances at end of year</b>	<b>\$ 510,736</b>	<b>\$ 386,786</b>	<b>\$ 124</b>	<b>\$ 897,646</b>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2015**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 86,912</b>
 <b>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</b>		
<b>Expenditures for capital assets</b>	<b>\$ 127,151</b>	
<b>Less current year depreciation</b>	<b><u>(231,279)</u></b>	<b>(104,128)</b>
 <b>Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.</b>		
<b>Net (Increase) / decrease in compensated absences</b>		<b>31,396</b>
<b>Pensions</b>		<b><u>46,114</u></b>
 <b>Change in net assets of governmental activities</b>		 <b><u><u>\$ 60,294</u></u></b>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
September 30, 2015**

<b>ASSETS</b>	<b>Enterprise Fund</b>
<b>Current assets</b>	
Cash	\$ 546,718
Accounts receivable	103,266
Due from other funds	-
Inventory	-
Prepaid Insurance	7,362
Certificate of deposit	-
<b>Total current assets</b>	<b>657,346</b>
 <b>Fixed assets</b>	
Land	123,840
Buildings	49,818
Improvements other than buildings	3,648,148
Equipment	494,687
Allowance for depreciation	(2,860,599)
<b>Total fixed assets</b>	<b>1,455,894</b>
<b>Total assets</b>	<b>2,113,240</b>
 <b>DEFERRED OUTFLOWS</b>	<b>51,718</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	9,316
Due to other funds	-
Accrued liabilities	5,416
Accrued interest payable	2,286
Deposits	89,566
Current portion loan payable	32,875
Accrued leave payable	856
<b>Total current liabilities</b>	<b>140,315</b>
<b>Noncurrent liabilities</b>	
Other liabilities	
Accrued leave payable	4,850
Long-term liabilities	
Loan payable	378,060
Net pension liability	163,856
<b>Total noncurrent liabilities</b>	<b>546,766</b>
<b>Total liabilities</b>	<b>687,081</b>
 <b>DEFERRED INFLOWS</b>	<b>50,783</b>
 <b>NET POSITION</b>	
Invested in capital assets net of related debt	1,044,959
Unrestricted	382,135
<b>Total net position</b>	<b>\$ 1,427,094</b>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended September 30, 2015**

<b>OPERATING REVENUES</b>	<b>Enterprise Fund</b>
Charges for services	
Water utility services	\$ 345,270
Water/sewer connection fees	23,223
Garbage/solid waste services	402,841
Sewer utility services	363,669
Penalties/late fees	27,449
Miscellaneous	
Other	-
Miscellaneous	<u>31,347</u>
<b>Total operating revenues</b>	<u><b>1,193,799</b></u>
 <b>OPERATING EXPENSES</b>	
Water and sewer services	
Personnel services	
Regular salaries	214,799
FICA	15,755
Retirement	3,676
Life and health insurance	32,652
Workers compensation	4,107
<b>Total personnel services</b>	<u><b>270,989</b></u>
 Operating expenses	
Accounting and auditing	5,278
Professional services	48,356
Administration	175,000
Advertising	31
Bank fees	-
Contractual services	264,603
Communications	7,702
Depreciation	215,115
Utilities	41,396
Insurance	21,799
Repairs and maintenance	29,115
Miscellaneous	-
Training and education	80
Subscriptions	-
Other current charges and obligations	-
Rentals and leases	9,397
Office supplies	-
Operating supplies	91,230
Debt service	<u>37,151</u>
<b>Total operating expenses</b>	<u><b>946,253</b></u>
<b>Total utility services</b>	<u><b>1,217,242</b></u>

(continued)

**CITY OF TRENTON, FLORIDA**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended September 30, 2015**

	<u>Enterprise Fund</u>
Operating income (loss)	<u>\$ (23,443)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant revenues	-
Interest revenue	-
Interest expense	(7,800)
Transfers out	-
Total nonoperating revenues (expenses)	<u>(7,800)</u>
Net change in net position	(31,243)
Net position, beginning of year	1,632,348
Prior period adjustment	(174,011)
Net position, end of year	<u><u>\$ 1,427,094</u></u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended September 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 1,213,518
Miscellaneous receipts	-
Cash payments for goods and services	(741,906)
Cash payments to employees for services	(281,180)
Net cash provided by operating activities	<u>190,432</u>

**CASH FLOWS FROM NON CAPITAL RELATED FINANCING ACTIVITIES:**

Transfers to other funds	-
Transfers from other funds	-
Net cash used for non capital related financing activities	<u>-</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Grant revenues	-
Acquisitions of property and equipment	-
Transfers out	-
Loan from other funds	-
Repayment of loan from other funds	-
Principal paid on note payable	-
Acquisitions and construction of capital assets	(80,843)
Principal paid on loan payable	(37,312)
Interest paid	(7,800)
Net cash used for capital and related financing activities	<u>(125,955)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Investments	-
Interest received on Investments	-
Net cash provided by Investing activities	<u>-</u>

Net Increase in cash and cash equivalents 64,477

Cash, beginning of year	482,241
Cash, end of year	<u><u>\$ 546,718</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	<u>\$ (23,443)</u>
------------------	--------------------

**Adjustments to reconcile operating income to net cash provided  
by operating activities:**

Depreciation	215,115
Changes in assets decrease (Increase) and liabilities (decrease)	
Increase:	
Accounts receivable, net	4,504
Deferred outflows	(51,718)
Prepaid items	(2,011)
Accounts payable	(8,757)
Accrued liabilities	(144)
Deferred inflows	50,783
Compensated absences	1,043
Customer deposits	15,215
Net pension liability	(10,155)
Total adjustments	<u>213,875</u>
Net cash provided by operating activities	<u><u>\$ 190,432</u></u>

See notes to financial statements

## CITY OF TRENTON, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Trenton (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). The City fully implemented the basic model in the FY 2003-2004, and has elected not to implement the retroactive infrastructure related portion as allowed by this statement.

**A. Reporting Entity** - The City of Trenton, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and was specifically organized under and derives its power from Chapter 27940 of the *Laws of Florida*. It is governed by a Mayor and a four member City Commission, all of whom are individually elected.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

**City of Trenton Community Redevelopment Agency** - This dependent special district was established for the fostering of economic development within the downtown district, by City Ordinances 2002-05, -06, and -07. The governing board is the City Commission which also establishes the agency's annual budget. This dependent special district is reported in the Community Redevelopment Fund in the City's financial statements as a special revenue fund.

**B. Measurement Focus and Basis of Accounting** - The basic financial statements of the City are comprised of the following:



- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

## **1. Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the City also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

## **2. Fund Financial Statements**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the City's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

**Governmental Funds** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales

taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of “available spendable resources.” Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Proprietary Funds** - The City's Water, Sewer, and Solid Waste Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

**C. Basis of Accounting** - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has four major funds as follows:

**1. Governmental Major Funds:**

**General Fund** - The General Fund is the general operating fund of the City. It is used to

account for all financial resources, except those required to be accounted for in another fund.

2. **Community Redevelopment Fund** – Established by the City to account for financial transactions of the Community Redevelopment Agency, which was established by the City to foster development of the City's downtown district.
3. **Community Development Block Grant Fund** - Established by the City to administer the prior Community Development Block Grant Program, which was awarded the City by the Department of Community Affairs to make improvements to the downtown district.
4. **Proprietary Major Fund:**  
**Enterprise Fund** - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, sewer, and solid waste disposal services.

#### **D. Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and buildings, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

#### **E. Assets, Liabilities and Net Position or Equity**

1. **Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
2. **Cash Equivalents** - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2015, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.
3. **Allowance for Doubtful Accounts** - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2015, this allowance account totaled \$12,691, based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2015.
4. **Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. Any receivables in excess of 180 days would comprise the trade accounts receivable allowance for doubtful accounts.

5. **Inventories** - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material. Enterprise fund inventories consisting of repair items are recorded at cost.
6. **Restricted Assets** - Certain net position of the City are classified as restricted assets on the statement of net position because their use is limited either by law through constitutional

provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributions, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

The fund balance related to the City's Community Redevelopment Agency is also classified as restricted due to legal limitations on the use of these funds.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.
11. **Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **Proprietary Activity Accounting and Financial Reporting** - The City applies all applicable Government Accounting Standards (GASB) pronouncements as well as the following

pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards (FASB) Statements and Interpretations. Accounting Principles Board (APB) Opinion and Account Research Bulletins (ARB's).

### **13. Fund Balances – Governmental Funds**

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision making authority for the Council. Commitments may be established, modified, or rescinded only through resolutions approved by the City Commission. There were no committed fund balances at year end.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under current practices, the assignment of amounts for specific purposes is approved by the City Commission.

**Unassigned** - all other spendable amounts.

### **F. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for being reported in this category as follows:

Pensions – Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between assumptions about future economic, demographic, or other input factors; or changes in the expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension

liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

## **NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.**

“Total fund balances” of the City’s governmental funds \$897,646 differs from “net position” of governmental activities \$2,087,847 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

#### Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 3,401,425
Accumulated depreciation	(1,710,153)
Total	<u>\$ 1,691,272</u>

#### Long-term debt transactions

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2015, were:

Notes payable	\$ (183,607)
Compensated absences	(14,896)
Net pension liability	(304,305)
Total	<u>\$ (502,808)</u>

#### Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows	\$ 96,048
Deferred inflows	(94,311)
	<u>\$ 1,737</u>

**CITY OF TRENTON, FLORIDA**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Deferred Inflows/Outflows</u>	<u>Long-Term Debt Transactions</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 872,460	\$ -	\$ -	\$ -	\$ 872,460
Due from others	22,323	-	-	-	22,323
Due from other funds	-	-	-	-	-
Due from other governmental units	17,997	-	-	-	17,997
Prepaid insurance	7,690	-	-	-	7,690
Capital assets - net	-	1,691,272	-	-	1,691,272
Total assets	<u>920,470</u>	<u>1,691,272</u>	<u>-</u>	<u>-</u>	<u>2,611,742</u>
<b>DEFERRED OUTFLOWS</b>	<u>-</u>	<u>-</u>	<u>96,048</u>	<u>-</u>	<u>96,048</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	11,547	-	-	-	11,547
Accrued liabilities	11,277	-	-	-	11,277
Due to other funds	-	-	-	-	-
Accrued compensated absences	-	-	-	14,896	14,896
Notes payable	-	-	-	183,607	183,607
Net pension liability	-	-	-	304,305	304,305
Total liabilities	<u>22,824</u>	<u>-</u>	<u>-</u>	<u>502,808</u>	<u>525,632</u>
<b>DEFERRED INFLOWS</b>	<u>-</u>	<u>-</u>	<u>94,311</u>	<u>-</u>	<u>94,311</u>
Fund balances/net position	<u>\$ 897,646</u>	<u>\$1,691,272</u>	<u>\$ 1,737</u>	<u>\$ (502,808)</u>	<u>\$2,087,847</u>

**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for governmental funds \$86,912 differs from the “change in net position” for governmental activities \$60,294 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charges for the year.

Capital outlay	\$ 113,843
Depreciation expense	(231,279)
Total	<u>\$ (117,436)</u>

**Long-term debt transactions**

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in compensated absences	\$ 12,812
Net decrease in net pension liability	78,006
Net decrease in deferred outflows/inflows	(147,483)
	<u>\$ (56,665)</u>

**Deferred outflows/inflows of resources**

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net increase in deferred outflows	\$ 60,405
Net decrease in deferred outflows	87,078
	<u>\$ 147,483</u>



**CITY OF TRENTON, FLORIDA**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities**

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Net Position
<b>REVENUES</b>					
Taxes	\$ 725,821	\$ -	\$ -	\$ -	\$ 725,821
Licenses and permits	9,939	-	-	-	9,939
Intergovernmental	128,770	-	-	-	128,770
Charges for services	208,474	-	-	-	208,474
Miscellaneous	26,263	-	-	-	26,263
Total revenues	<u>1,099,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,099,267</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	394,180	6,938	-	(22,933)	378,185
Public safety	252,232	66,503	-	(6,562)	312,173
Transportation	161,437	124,441	-	(1,901)	283,977
Human services	-	2,313	-	-	2,313
Economic environment	7,562	-	-	-	7,562
Culture/recreation	6,715	41,630	-	-	48,345
Capital outlay					
General government	-	-	-	-	-
Public safety	124,389	(124,389)	-	-	-
Transportation	-	-	-	-	-
Physical environment	-	-	-	-	-
Economic environment	-	-	-	-	-
Culture/recreation	-	-	-	-	-
Debt service					
Principal	59,422	-	-	(59,422)	-
Interest	6,418	-	-	-	6,418
Grants and aids					
Economic environment	-	-	-	-	-
Total expenditures	<u>1,012,355</u>	<u>117,436</u>	<u>-</u>	<u>(90,818)</u>	<u>1,038,973</u>
Excess of revenues over (under) expenditures	86,912	(117,436)	-	90,818	60,294
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	32,043	-	-	(32,043)	-
Transfers out	(32,043)	-	-	32,043	-
Deferred outflows (inflows)	-	-	147,483	(147,483)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>147,483</u>	<u>(147,483)</u>	<u>-</u>
Net change in fund balance	86,912	(117,436)	147,483	(56,665)	60,294
Fund balance at beginning of year	810,734	1,808,708	-	(268,725)	2,350,717
Prior period adjustment	-	-	(145,746)	(177,418)	(323,164)
Fund balance at end of year	<u>\$ 897,646</u>	<u>\$ 1,691,272</u>	<u>\$ 1,737</u>	<u>\$ (502,808)</u>	<u>\$ 2,087,847</u>

### **NOTE 3. LEGAL COMPLIANCE–BUDGETS**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Commission.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

### **NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits. The bank balances of the City deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all investments consisted of certificates of deposit which were fully insured or collateralized. These investments are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements." The City only invests in securities allowed by state law. The City had no investments at September 30, 2015.

### **NOTE 5. PROPERTY TAX REVENUES**

The City levied a property tax during the year. Although it was allowed by law to levy up to 10 mills of tax, the current year levy was set at 3.1 mills.

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital assets:				
Land	\$ 9,574	\$ -	\$ -	\$ 9,574
Buildings and improvements	896,136	-	(13,308)	882,828
Infrastructure	1,573,462	-	-	1,573,462
Equipment and vehicles	808,410	127,151	-	935,561
Total capital assets	3,287,582	127,151	(13,308)	3,401,425
Less accumulated depreciation	(1,478,874)	(231,279)	-	(1,710,153)
Governmental activities capital assets, net	<u>\$ 1,808,708</u>	<u>\$ (104,128)</u>	<u>\$ (13,308)</u>	<u>\$ 1,691,272</u>
<b><u>Business-type activities:</u></b>				
Land	\$ 123,840	\$ -	\$ -	\$ 123,840
Buildings	49,818	-	-	49,818
Improvements other than buildings	3,648,148	-	-	3,648,148
Equipment	413,844	80,843	-	494,687
Total capital assets	4,235,650	80,843	-	4,316,493
Less accumulated depreciation	(2,645,484)	(215,115)	-	(2,860,599)
Business-type activities capital assets, net	<u>\$ 1,590,166</u>	<u>\$ (134,272)</u>	<u>\$ -</u>	<u>\$ 1,455,894</u>

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 6,938
Public safety	53,195
Transportation	127,203
Human services	2,313
Culture/recreation	41,630
Total depreciation expense - governmental activities	<u>\$ 231,279</u>
<b>Business -type activities:</b>	
Water and sewer utility	<u>\$ 215,115</u>

**NOTE 7. RECEIVABLE AND PAYABLE BALANCES****Receivables**

Receivables at September 30, 2015, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General	\$ 22,323	\$ 17,997	\$ 40,320
Business-type activities:			
Enterprise	103,266	-	103,266
	<u>\$ 125,589</u>	<u>\$ 17,997</u>	<u>\$ 143,586</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$12,691.

**Payables**

Payables at September 30, 2015, were as follows:

	<u>Accrued Vendor and Other Liabilities</u>	<u>Customer Deposits</u>	<u>Total Payables</u>
Governmental activities:			
General	\$ 11,547	\$ -	\$ 11,547
Business-type activities:			
Enterprise	\$ 9,316	\$ 89,566	\$ 98,882

**NOTE 8. INTERFUND TRANSFERS**

Inter fund transfers for the year ended September 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 32,043
Community Redevelopment	32,043	-
Total	<u>\$ 32,043</u>	<u>\$ 32,043</u>

## NOTE 9. LONG-TERM LIABILITIES

### Governmental Activities

A summary of all long-term debt associated with governmental activities, excluding compensated absences, of the City as of September 30, 2015, follows. All loan payments are budgeted and paid from General Fund revenues.

	Balances at September 30, 2015	Due Within One Year
<b>Note Payable - Capital City Bank</b> , payable in 234 monthly installments of \$1,585, including interest at a variable percentage rate with a final payment on December 6, 2022, comprising the outstanding balance. At year end, the rate was 1.98%. This note is secured by future fire service revenue received from Gilchrist County. This note was used to finance a new public safety building, and was in the original principal amount of \$178,688. As of October 15, 2013 the note was refinanced with Ameris Bank at an interest rate of 2.24% for 5 years.	\$ 56,264	\$ 17,998
<b>Note Payable - Ameris Bank</b> , payable in 60 monthly installments of \$3,826 including interest at a percentage rate based upon the <i>Wall Street Journal</i> Prime Rate. At year end, the rate was 2.27%. This note is unsecured. This note was used to finance the completion of infrastructure improvements for the Pine Estates subdivision, which is located within the City limits of Trenton. The total principal amount of this note originally totaled \$216,840	127,343 \$ 183,607	41,424 \$ 59,422

Assuming maintenance of current interest rates, debt service requirements to maturity, including interest of \$6,187, are as follows:

September 30	Ameris Bank Fire	Ameris Bank Transportation	Total
2016	\$ 19,923	\$ 45,917	\$ 65,840
2017	19,923	45,917	65,840
2018	18,263	39,851	58,114
	<u>\$ 58,109</u>	<u>\$ 131,685</u>	<u>\$ 189,794</u>

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2015:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Note Payable - Ameris Bank Streets	\$ 166,309	\$ -	\$ (38,966)	\$ 127,343	\$ 41,424
Note Payable - Capital City Bank					
Fire station	74,708	-	(18,444)	56,264	17,998
Compensated absences	27,708	284	(13,096)	14,896	2,234
Net pension liability	-	304,305	-	304,305	-
	<u>\$ 268,725</u>	<u>\$ 304,589</u>	<u>\$ (70,506)</u>	<u>\$ 502,808</u>	<u>\$ 61,656</u>

## Business-type Activities

A summary of proprietary fund debt as of September 30, 2015, follows. All loan payments have been budgeted and paid from Enterprise Fund revenues.

### A. Florida DEP Loan

As a financing component of its waste water improvement project; on July 14, 2003, the City obtained a loan from the Florida Department of Environmental Protection under its Clean Water State Revolving Fund program. This loan was in the initial amount of \$90,500 and was payable in 40 semi-annual payments of \$2,818 including interest at 1.74%. On October 26, 2004, this loan amount was increased by \$785,366 to \$875,866, with the same term and interest rate, and a semi-annual payment amount of \$26,671. On December 22, 2005, this loan amount was decreased by \$137,612 to \$738,254, with the same term and interest rate, and a semi-annual payment amount of \$22,475.

Scheduled payments dates are December 15 and June 15 annually. At year end, the balance of this loan was \$410,935. Debt service requirements for this loan, including interest of \$26,785 are as follows:

Fiscal Year Ending September 30,	
2016	\$ 44,950
2017	44,950
2018	44,950
2019	44,950
2020	44,950
Thereafter	212,970
	<u>\$ 437,720</u>

A summary of changes in proprietary fund long-term debt follows:

	October 1, 2014	Increases	Decreases	September 30, 2015	Due Within One Year
Loan payable - FDEP	\$ 448,247	\$ -	\$ (37,312)	\$ 410,935	\$ 32,875
Compensated absences	4,663	1,043	-	5,706	856
Net pension liability	-	163,856	-	163,856	-
	<u>\$ 452,910</u>	<u>\$ 164,899</u>	<u>\$ (37,312)</u>	<u>\$ 580,497</u>	<u>\$ 33,731</u>

**NOTE 10. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM**

**Florida Retirement System**

General Information - All of the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, City school board, state university, community college, or a participating city or special City within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Pension Plan**

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0%

(3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk Administrative Support—42.07% and 32.95%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers'—43.24% and 42.27%; and DROP participants—12.28% and 12.88%. These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$58,348 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$289,417 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.002240705 percent, which was an increase (decrease) of 0.000397669 percent from its proportionate share measured as of June 30, 2014.



For the fiscal year ended September 30, 2015, the City recognized pension expense of (\$36,701). In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,554	\$ 6,864
Changes in assumptions	19,210	-
Net difference between projected and actual earnings on Pension Plan investments	-	69,108
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions	52,191	51,799
City Pension Plan contributions subsequent to the measurement date	13,476	-
Total	<u>\$ 115,431</u>	<u>\$ 127,771</u>

The deferred outflows of resources related to the Pension Plan, totaling \$13,476 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	(22,552)
2017	(22,552)
2018	(22,552)
2019	33,610
2020	6,527
Thereafter	1,704
	<u>\$ (25,816)</u>

**Actuarial Assumptions** – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate - Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad U.S. Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability	\$ 749,945	\$ 289,417	\$ (93,818)

**Pension Plan Fiduciary Net Position** - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan** - At September 30, 2015, the City had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

## **HIS Plan**

**Plan Description** - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided** - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions** - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$7,212 for the fiscal year ended September 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At September 30, 2015, the City reported a liability of \$178,745 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.001752671 percent, which was an increase of 0.000205128 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$5,016. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	14,063	-
Net difference between projected and actual earnings on HIS Plan investments	29	(68)
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	15,920	17,391
City HIS Plan contributions subsequent to the measurement date	2,323	-
Total	<u>\$ 32,335</u>	<u>\$ 17,323</u>

The deferred outflows of resources related to the HIS Plan, totaling \$2,323 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ 11,085
2017	11,085
2018	11,085
2019	(16,520)
2020	(3,208)
Thereafter	(837)
	<u>\$ 12,689</u>

**Actuarial Assumptions** – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	4.29 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's proportionate share of the net pension liability	\$ 203,671	\$ 178,745	\$ 157,960

**Pension Plan Fiduciary Net Position** - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan** - At September 30, 2015, the City had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

## **Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City did not have any participants in the Investment Plan for the fiscal year ended September 30, 2015.

#### **NOTE 11. OPERATING LEASES**

The City has several operating lease agreements for office related equipment with noncancellable terms. These leases are considered for accounting purposes, to be operating leases. Lease expenditures for the fiscal year totaled \$12,442. The future minimum payments under these leases at September 30, 2015 are as follows:

Fiscal Year Ending September 30, <u>2015</u>	<u>\$ 3,110</u>
--	-----------------

#### **NOTE 12. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

#### **NOTE 13. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. The City is a defendant in two lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

#### **NOTE 14. PRIOR PERIOD ADJUSTMENT**

The implementation of GASB 68 requires employers participating in cost-sharing defined benefit pension plans to report their proportionate share of the total net pension liability and deferred outflows/inflows of resources for the plan on their government-wide financial statements. This resulted in the following adjustments:

Deferred outflows	\$ 131,967
Deferred inflows	(145,094)
Net pension liability	(484,048)
Net position	497,175
	<hr/>
	\$ -
	<hr/>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF TRENTON, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
<b>Taxes</b>			
Ad valorem taxes	\$ 164,632	\$ 160,215	\$ (4,417)
Sales and use taxes			
Local option gas tax/ alternative fuel	44,202	44,481	279
Discretionary sales tax	59,550	100,476	40,926
Franchise fees			
Electricity	98,723	118,362	19,639
Utility service taxes			
Electricity	114,295	133,849	19,554
Water	27,275	31,094	3,819
Gas	5,103	10,834	5,731
Communications services tax	61,854	51,728	(10,126)
Total taxes	<u>575,634</u>	<u>651,039</u>	<u>75,405</u>
<b>Licenses and permits</b>			
Professional and occupational	6,000	6,212	212
Building and zoning permits	2,000	3,727	1,727
Total licenses and permits	<u>8,000</u>	<u>9,939</u>	<u>1,939</u>
<b>Intergovernmental</b>			
Federal grants			
Public safety grants	1,000	16,234	15,234
State shared revenues			
General government			
State revenue sharing	53,545	54,989	1,444
Mobile home licenses	1,300	1,141	(159)
Alcoholic beverage licenses	547	905	358
Local government half-cent sales tax	43,979	42,166	(1,813)
Parimutual tax	13,335	13,335	-
Total intergovernmental	<u>113,706</u>	<u>128,770</u>	<u>15,064</u>
<b>Charges for services</b>			
General government	233,237	175,000	(58,237)
Public safety	31,974	31,974	-
Human services	4,000	1,500	(2,500)
Total charges for services	<u>269,211</u>	<u>208,474</u>	<u>(60,737)</u>

(continued)

**CITY OF TRENTON, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>Miscellaneous</b>			
Interest	\$ 250	\$ 353	\$ 103
Rentals and leases	6,177	8,405	2,228
Special assessments	11,651	14,030	2,379
Fines and forfeitures			
City fines	3,871	2,336	(1,535)
Other miscellaneous			
Other	11,500	876	(10,624)
Total miscellaneous	33,449	26,000	(7,449)
Total revenues	1,000,000	1,024,222	24,222
<b>EXPENDITURES</b>			
<b>General government</b>			
Legislative			
Personnel services	44,742	42,599	2,143
Operating expenses	5,800	10,817	(5,017)
Total legislative	50,542	53,416	(2,874)
Financial and administrative			
Personnel services	228,509	219,667	8,842
Operating expenses	40,538	63,579	(23,041)
Capital outlay	2,500	-	2,500
Total financial and administrative	271,547	283,246	(11,699)
Legal counsel			
Operating expenses	28,700	27,042	1,658
Comprehensive planning			
Operating expenses	-	-	-
Other general government			
Personnel services	-	-	-
Operating expenses	36,630	27,492	9,138
Capital outlay	25,790	2,984	22,806
	62,420	30,476	31,944
Total general government	413,209	394,180	19,029

(continued)

**CITY OF TRENTON, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>Public safety</b>			
<b>Law enforcement</b>			
Personnel services	\$ 164,059	\$ 175,848	\$ (11,789)
Operating expenses	27,750	49,928	(22,178)
Capital outlay	3,000	123,452	(120,452)
Debt service-principal	-	-	-
Debt service-interest	-	-	-
<b>Total law enforcement</b>	<b>194,809</b>	<b>349,228</b>	<b>(154,419)</b>
<b>Fire control</b>			
Personnel services	24,497	17,231	7,266
Operating expenses	31,655	23,738	7,917
Capital outlay	5,000	937	4,063
Debt service-principal	40,000	17,998	22,002
Debt service-interest	1,925	1,925	-
<b>Total fire control</b>	<b>103,077</b>	<b>61,829</b>	<b>41,248</b>
<b>Other public safety</b>			
Operating expenses	36,630	24,986	11,644
<b>Total public safety</b>	<b>334,516</b>	<b>436,043</b>	<b>(101,527)</b>
<b>Transportation</b>			
<b>Roads and streets</b>			
Personnel services	83,721	49,250	34,471
Operating expenses	64,000	72,688	(8,688)
Capital outlay	15,000	-	15,000
Debt service-principal	41,424	41,424	-
Debt service-interest	4,493	4,493	-
<b>Total transportation</b>	<b>208,638</b>	<b>167,855</b>	<b>40,783</b>
<b>Human services</b>			
<b>Other human services</b>			
Operating expenses	-	-	-
<b>Culture/recreation</b>			
<b>Parks and recreation</b>			
Operating expenses	10,210	6,715	3,495
Capital outlay	500	-	500
<b>Total culture/recreation</b>	<b>10,710</b>	<b>6,715</b>	<b>3,995</b>
<b>Total expenditures</b>	<b>967,073</b>	<b>1,004,793</b>	<b>(37,720)</b>
<b>Excess of revenues over expenditures</b>	<b>32,927</b>	<b>19,429</b>	<b>(13,498)</b>

(continued)

**CITY OF TRENTON, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	-	-	-
Interfund transfers out	<u>(32,927)</u>	<u>(32,043)</u>	<u>884</u>
Total other financing sources (uses)	<u>(32,927)</u>	<u>(32,043)</u>	<u>884</u>
 Net change in fund balance	 -	 (12,614)	 (12,614)
 Fund balance at beginning of year	 <u>523,350</u>	 <u>523,350</u>	 <u>-</u>
Fund balance at end of year	<u><u>\$ 523,350</u></u>	<u><u>\$ 510,736</u></u>	<u><u>\$ (12,614)</u></u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA**

**COMMUNITY REDEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Miscellaneous			
Community redevelopment-county	\$ 72,755	\$ 74,782	\$ 2,027
Interest	175	263	88
<b>Total revenues</b>	<u>72,930</u>	<u>75,045</u>	<u>2,115</u>
<b>EXPENDITURES</b>			
Economic environment			
Other economic environment			
Operating expenses	18,300	7,562	10,738
Capital outlay	125,000	-	125,000
<b>Total expenditures</b>	<u>143,300</u>	<u>7,562</u>	<u>135,738</u>
<b>Excess of revenues over expenditures</b>	<u>(70,370)</u>	<u>67,483</u>	<u>137,853</u>
<b>OTHER FINANCING SOURCES</b>			
Interfund transfers in	<u>32,926</u>	<u>32,043</u>	<u>(883)</u>
<b>Net change in fund balance</b>	<u>(37,444)</u>	<u>99,526</u>	<u>136,970</u>
<b>Fund balance at beginning of year</b>	<u>287,260</u>	<u>287,260</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u><u>\$ 249,816</u></u>	<u><u>\$ 386,786</u></u>	<u><u>\$ 136,970</u></u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA**

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental			
Federal grants	\$ -	\$ -	\$ -
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Physical environment			
Water improvements			
Capital outlay	-	-	-
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	-	-	-
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at beginning of year</b>	<b>124</b>	<b>124</b>	-
<b>Fund balance at end of year</b>	<u><u>\$ 124</u></u>	<u><u>\$ 124</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

**CITY OF TRENTON, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2015**

**I. Stewardship, Compliance, and Accountability**

- A. Budgetary Information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Commission.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CITY OF TRENTON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.002240705%	0.001843036%
City's proportionate share of the FRS net pension liability (asset)	\$ 289,417	\$ 112,452
City's proportion of the HIS net pension liability (asset)	0.001752671%	0.001547543%
City's proportionate share of the HIS net pension liability (asset)	<u>178,745</u>	<u>144,699</u>
City's proportionate share of the total net pension liability (asset)	<u><u>\$ 468,162</u></u>	<u><u>\$ 257,151</u></u>
City's covered-employee payroll	\$ 554,096	\$ 472,893
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.49%	54.38%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

\*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CITY OF TRENTON'S CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

	2015	2014
Contractually required FRS contribution	\$ 58,348	\$ 41,101
Contractually required HIS contribution	7,212	5,080
Total Contractually Required Contributions	<u>65,560</u>	<u>46,181</u>
Contributions in relation to the contractually required contribution	(65,560)	(46,181)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Administration's covered-employee payroll	\$ 554,096	\$ 472,893
Contributions as a percentage of covered-employee payroll	11.83%	9.77%

\*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**THE CITY OF TRENTON'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND**  
**REQUIRED CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**For the Fiscal Year End September 30, 2015**

**Net Pension Liability**

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2015, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>
Plan fiduciary net position as a percentage of the total pension liability	92.00%	0.50%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

**Basis for Allocation**

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2015, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

### **Actuarial Methods and Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2015:

- **FRS:** There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%
- **HIS:** The municipal bonds rate used to determine total pension liability was decreased from 4.29% to 3.80%.

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Members  
Of the City Commission  
City of Trenton, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major fund of the City of Trenton, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Trenton, Florida's basic financial statements and have issued our report thereof dated May 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Trenton, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Trenton, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**2009-1 (Excess of second consecutive year)  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the City Commission review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Commission.***

***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

## **Compliance and Other Matters**

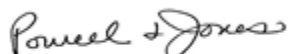
As part of obtaining reasonable assurance about whether the City of Trenton, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Trenton, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated May 11, 2016.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**POWELL & JONES**  
Certified Public Accountants  
May 11, 2016

## MANAGEMENT LETTER

To the Mayor and Members  
of the City Commission  
City of Trenton, Florida

In planning and performing our audit of the financial statements of the City of Trenton, Florida, for the year ended September 30, 2015, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter furnishes the following information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters.

### PRIOR YEAR FINDINGS

All prior year findings were substantially corrected during the current year.

### CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Trenton, Florida, for the fiscal year ended September 30, 2015.

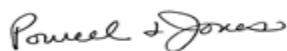
Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Financial Emergency Status - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(f).

### CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



**POWELL & JONES**  
Certified Public Accountants  
May 11, 2016

## INDEPENDENT ACCOUNTANT'S REPORT

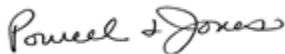
To the Mayor and Members  
Of the City Commission  
City of Trenton, Florida

We have examined the City of Trenton, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the City of Trenton, Florida and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



**POWELL & JONES**  
Certified Public Accountants  
May 11, 2016



## **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To the Mayor and Members of the City Commission  
City of Trenton, Florida

We have audited the financial statements of the City of Trenton, Florida for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Trenton, Florida, are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the City changed accounting policies related to the recognition of their proportionate share of the net pension liability of the Florida Retirement System by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Trenton, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that

could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 21, 2015.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

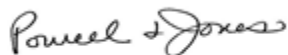
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor and Members of the City Commission and management of the City of Trenton, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
May 11, 2016